



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Pushing Back the Push Outs: Securities and Exchange Commission's Broker- Dealer Rules

The House Financial Services Subcommittee on Capital Markets and Subcommittee on Financial Institutions will hold a joint hearing at 9:30 a.m. on August 2 in 2128 Rayburn to address recently proposed rules by the Securities and Exchange Commission regarding bank brokerage activities.

On May 17, the Securities and Exchange Commission (SEC) issued interim final rules on so-called "push-outs," which assign specific bank brokerage activities new SEC regulatory requirements. The SEC issued the rule to clarify bank brokerage activities governed by the Gramm-Leach-Bliley Act (GLB).

"The intent of the Gramm-Leach-Bliley Act was to level the playing field among the banking, insurance and securities industries by creating an environment of functional regulation," said Capital Markets Subcommittee Chairman Richard H. Baker. "However, as one of the conferees on the Act, I know that it was not the intent of Congress to allow financial regulators to move into regulation of activities that are adequately governed by other laws and regulators.

"In this instance, it is essential that the rules promulgated by the SEC under Title II of Gramm-Leach-Bliley take into consideration the traditional business practices of banks and the views of bank regulators, such as the Fed, the OCC and the FDIC, who are more familiar with the way in which banks conduct their business."

Title II of GLB generally gives banks the authority to engage in brokerage activities as long as they abide by the same regulatory requirements as securities firms. However,

Title II included several exemptions for traditional bank securities activities undertaken before GLB, such as bank trust and custody activities.

Congress intended to leave traditional bank brokerage activities within banks. Changing these regulatory requirements would reduce the services customers have come to rely on and would increase the cost of those services.

On July 19, Financial Services Committee Chairman Michael G. Oxley, along with the six subcommittee chairs, sent a letter to acting SEC Chairman Laura Unger expressing procedural and substantive concerns about the SEC ruling. While the SEC has extended the deadline for comments until September 4, 2001, the agency nonetheless issued the rule in final form, thereby denying public input.

"The Gramm-Leach-Bliley Act is a delicate balance between furthering functional regulation and preserving longstanding customer relationships," Financial Services Committee Chairman Michael G. Oxley said. "The rule-making at the SEC and among all the regulatory agencies must reflect that balance for the marketplace to benefit."

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